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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
STONE & YOUNGBERG LLC,

Plaintiff,

-against-

SCHRODER INVESTMENT  
MANAGEMENT NORTH AMERICA, INC.,  
SCHRODER SERIES TRUST AND  
SCHRODER SHORT-TERM MUNICIPAL  
BOND FUND

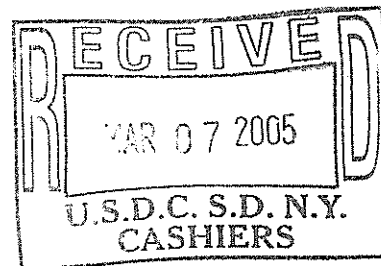
Defendants.  
-----X

JUDGE HOLWELL

05 CV 2614

: 05 Civ

: JURY TRIAL DEMANDED



**COMPLAINT**

Plaintiffs, by their attorneys, Kirkpatrick & Lockhart Nicholson Graham LLP, for their complaint allege as follows:

**NATURE OF THE ACTION**

1. This is an action to enforce a contract for the purchase of securities between plaintiff, Stone and Youngberg LLC ("S&Y") and defendants Schroder Investment Management North America, Inc. ("SIMNA") and the funds it manages, Schroder Series Trust (the "Trust") and Schroder Short-Term Municipal Bond Fund, a series of the Trust (the "Fund"). SIMNA, the Trust and the Fund are referred to herein collectively as "Schroder." In accordance with the

agreement between Schroder and S&Y, Schroder purchased through S&Y more than a million dollars worth of Certificates of Participation issued by the Government of Dade City, Florida ("COPS"). Yet, though it was obligated to do so, Schroder has refused to accept delivery of the securities and has refused to pay for them.

2. As defendants anticipated, the value of the COPS has plummeted. As a result of defendants' failure to perform their obligations, S&Y has been damaged by virtue of the steep decline in value and thus seeks an order of this Court granting it damages for the losses it has suffered as a result of Schroder's breach of contract.

3. Upon information and belief there is no viable market for the COPS.

#### **JURISDICTION AND VENUE**

4. Federal subject matter jurisdiction exists under 28 U.S.C. § 1332 in that all named parties to this action are of completely diverse citizenship and the amount in controversy exceeds \$75,000. Plaintiff is a citizen of California for purposes of jurisdiction and venue (12 U.S.C. §1717(a)(2)(B)). Defendants are, upon information and belief, citizens of New York in that their principal place of business is located in this state. SIMNA is a Delaware corporation with its principal place of business in New York. The Trust is a Massachusetts business trust with its principal place of business in New York, and the Fund is a series of the Trust with its principal place of business in New York.

5. Venue in this Court is proper under 28 U.S.C. §§ 1391(a)(2) because Schroder is located in this judicial district and a substantial part of the events or omissions giving rise to the claim occurred in this judicial district.

## **PARTIES**

6. S&Y is a California limited liability company and is registered as a broker-dealer with the SEC and the states of the United States. Its principal place of business is located in San Francisco, California.

7. SIMNA is a Delaware corporation and an SEC-registered investment adviser. It was established to manage international and domestic equity and fixed income portfolios for North American clients and manages over \$12 billion of securities for high net worth individuals and institutional investors. It is a wholly owned subsidiary of Schroder US Holdings Inc., which in turn, on information and belief, is a wholly owned subsidiary of Schroders plc, a global asset management company with more than \$170 billion under management, offering institutional services to clients in the U.S. and Canada. Upon information and belief, the principal place of business of SIMNA is New York, New York.

8. SIMNA is the investment adviser and portfolio manager of the Trust and the Fund. The Trust is a Massachusetts business trust organized under the laws of the commonwealth of Massachusetts. On information and belief, its principal place of business is New York, New York. Fund is a series of the Trust and is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended. SIMNA designated the Fund as its account to which the COPS were to be allocated.

## **FACTS GIVING RISE TO THIS ACTION**

### **The Purchase**

9. S&Y provides brokerage services to, among others, Schroder.

10. In January 2005, S&Y became aware of the opportunity to submit bids to purchase 1025 of the COPS with a face value of \$1,000 each, a total face value of \$1,025,000.

The securities were certificates of participation evidencing the proportionate interest of the owners thereof in a stream of rental payments to be paid by Dade City pursuant to a lease purchase agreement between Dade City, as lessee, and the lessor.

11. Upon learning of the availability of the COPS for bid, S&Y promptly notified Schroder. The seller of the COPS was seeking through a broker bids on the 1025 COPS at a price of \$104 for each \$100 of face value, or 104% of the face value of the COPS. Schroder told S&Y that it would be willing to pay \$103.30 per \$100 face value of the COPS.

12. Between 11:26 a.m. and 3:44 p.m. on January 19, 2005, S&Y and Schroder communicated numerous times via e-mail and telephone with regard to the bidding process. Although Schroder informed S&Y that it would pay up to \$103.30 per \$100 face value for the COPS, S&Y was able to acquire the COPS for \$103.05 per \$100 face value and, pursuant to its agreement with Schroder, sold the COPS to Schroder for \$103.15 per \$100 face value. Thus, for its services, S&Y was to receive a total of \$1,025.

13. The purchase on behalf of Schroder was specifically authorized by David Baldt, an Executive Vice President and Portfolio Manager of SIMNA, and Susan Beck, a First Vice President and an investment professional of SIMNA via e-mail. Copies of the e-mails through which Schroder communicated its agreement to purchase the COPS are attached hereto as **Exhibit A.**

14. Schroder thus agreed to purchase \$1,025,000 face value of COPS, plus accrued interest, for a total purchase price of \$1,086,243.75. Schroder designated the Fund as its account to which the COPS were to be allocated.

15. Settlement of the trade was set, by standard practice, at January 24, 2005.

**Schroder Unlawfully Disavows the Trade**

16. Unbeknownst to S&Y, on or about January 6, 2005, the Bank of New York, as Trustee for the holders of the COPS, had sent a notice (the "Notice") to those holders announcing unfortunate news bearing on the value of the COPS. The notice was entitled **"NOTICE OF EVENT OF TERMINATION AND OF FUTURE EVENT OF DEFAULT."** The Trustee reported that it had received a letter from Dade City dated December 30, 2004, stating its intention to terminate the lease underlying the COPS. The Trustee reported that the letter constituted a notice of termination, which in turn constituted an event of default under the underlying lease.

17. The Trustee further explained that the reason given by Dade City for its action was that it had been informed by the underlying lessee, the Florida Department of Children and Families, that it did not intend to renew its lease at the expiration of the term on March 31, 2005. A copy of the Notice is attached hereto as **Exhibit B**.

18. With the termination of the Lease, there would be no continued lease payments and thus no stream of revenue to fund the COPS. In short, the value of the COPS would be severely undermined.

19. The Notice recites that it was sent to holders of the COPS. Upon information and belief, SIMNA served as adviser to and manager of another entity that held some of the COPS as of the date of the Notice. Accordingly, it received the Notice.

20. Upon information and belief, between the time Schroder instructed S&Y to make the purchase for Schroder and the settlement date, Schroder discovered the Notice or the information set forth in the Notice and regretted its decision to purchase the COPS.

21. In any event, when S&Y presented the COPS to Schroder for purchase and payment, Schroder disavowed the purchase and refused to pay. Regardless of its reason, Schroder's disavowal of the purchase and refusal to pay is unlawful.

**First Cause of Action  
Breach of Contract**

22. Plaintiff repeats and realleges all of the allegations set forth above in paragraphs 1 through 21 as if set forth in full herein.

23. Defendants expressly directed S&Y to purchase the COPS on defendants' behalf and expressly agreed to purchase the COPS from S&Y at an agreed upon price and quantity. All material terms were expressly agreed upon.

24. This agreement is memorialized in a series of e-mails dated January 19, 2005.

25. S&Y performed its obligations pursuant to the agreement.

26. Defendants have refused to perform. Defendants have no basis upon which to refuse to perform.

27. On account of the revelation of the seriously negative information set forth in the Notice, the value of the COPS has fallen and continues to fall.

28. As a result of defendants' refusal to abide by their contractual obligations, S&Y has been damaged in an amount to be determined at trial but believed to exceed \$750,000.

Wherefore, plaintiffs demand judgment as follows:

(a) compensatory damages in the sum to be determined at trial but believed to exceed \$750,000, together with interest; and

(b) such other relief as the Court may deem just and proper.

Dated: New York, New York  
March 7, 2005

Respectfully submitted,

By: 

Eugene R. Licker (EL 0334)  
elicker@klng.com

KIRKPATRICK & LOCKHART NICHOLSON  
GRAHAM LLP  
599 Lexington Avenue  
New York, New York 10022  
Telephone: 212.536.3900  
Facsimile: 212.536.3901

Attorneys for Plaintiff

# EXHIBIT A



16

1 <GO> to DELETE, 2 <GO> to RESEND, or <PAGE> for next item.  
✓ 1/19 11:26 TO: See list below

Muni MSG

this message has an attachment, 97 <go> to view.  
FL \*DES:DADE CITY GOVTL SER CPN:9 MTY: 4/01/2020 233423AM

Addressees:

✓T.MANGES

✓D.BALDT

✓S.BECK

Australia 61 2 9777 8600 Brazil 5511 3049 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
Hong Kong 852 2377 6000 Japan 81 3 3201 8500 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
H013-816-1 24-Jan-05 8:49:01

Backpage

1 <GO> to DELETE, 2 <GO> to RESEND, or <PAGE> for next item.  
✓ 1/19 11:29 TO: See list below

Muni MSG

this message has an attachment. 97 <go> to view.  
FL \*DES:DADE CITY GOVTL SER CPN:9 MTY: 4/01/2020 233423AM

they are ealed at 103 1/4 = 5.527 to 30 day call at 103

Addressees:

✓T.MANGES

✓D.BALDT

✓S.BECK

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 320410  
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
H013-816-1 24-Jan-06 8:49:04

14

1 <GO> to DELETE. 2 <GO> to RESEND. or <PAGE> for next item.  
✓ 1/19 11:30 TO: DAVID W BALDT

Muni MSG


SCHRODER INVESTM

this message has an attachment. 97 <go> to view.  
FL \*DES:DADE CITY GOVTL SER CPN:9 MTY: 4/01/2020 233423AM

they are eveled at  $103 \frac{1}{4} = 5.527$  to 30 day call at 103

they are looking to sell 1025


Australia 61 2 9777 8600 Brazil 55 11 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
H013-816-1 24-Jan-05 8:49:14

5  
1 <GO> to DELETE. 2 <GO> to RESEND, or <PAGE> for next item. Mun1 MSG  
✓ 1/19 11:54 TO: SUSAN BECK SCHRODER INVESTM  
PH=215-861-0982 FAX=215-861-0982 SUSAN.BECK@US.SCHRODERS.COM 

mark - dave had to run out - i know the situation on dade cnty -  
our phones have no voice mail at this time - just let me know  
what response you get re: initial level you and dave discussed.  
sue

Reply:

i told him it would take north of 103. i put in a 103.05 bid  
waiting to hear if it got in on time

3  
1 <GO> to DELETE. 2 <GO> to RESEND. or <PAGE> for next item. Muni **MSG**  
✓ 1/19 12:04 TO: SUSAN BECK SCHRODER INVESTM  
PH=215-861-0982 FAX=215-861-0982 SUSAN.BECK@US.SCHRODERS.COM 

mark - dave had to run out - i know the situation on dade cnty -  
our phones have no voice mail at this time - just let me know  
what response you get re: initial level you and dave discussed.  
sue

Reply:

sue

no trade. 1025 pxd at 104

17  
Screen Printed

Hunt MSG

1/19 12:21 From: •SUSAN BECK, SCHRODER INVESTMENT

PH=215-861-0982 FAX=215-861-0982 SUSAN.BECK@US.SCHRODERS.COM



USER mark - dave had to run out - i know the situation on dade cnty -  
INFO our phones have no voice mail at this time - just let me know  
what response you get re: initial level you and dave discussed.

sue

Reply:

sue

no trade. 1025 pxed at 104

Reply:

hi - did not want to go to that level at this time. sue

Australia 61 2 9777 8500

Brazil 55 11 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

Copyright 2005 Bloomberg L.P.  
6982-816-0 28-Jan-05 16:33:23

13  
1 <GO> to DELETE. 2 <GO> to RESEND. or <PAGE> for next item.  
/ 1/19 12:24 TO: SUSAN BECK

Muni MSG

SCHRODER INVESTM

PH=215-861-0982 FAX=215-861-0989 SUSAN.BECK@US.SCHRODERS.COM



mark - dave had to run out - i know the situation on dade cnty -  
our phones have no voice mail at this time - just let me know  
what response you get re: initial level you and dave discussed.


sue  
Reply:

sue  
no trade. 1025 pxed at 104

Reply:  
hi - did not want to go to that level at this time. sue  
Reply:

i told them right now the best i could do was repeat the 103.05  
bid. i hope that is ok. if you could get any higher i'd like to  
know

8  
1 <GO> to DELETE. 2 <GO> to REPLY. 3 <GO> to FORWARD. 99<GO>MENU OF OPTIONS **Muni MSG**  
1/19 12:32 From: \*SUSAN BECK, SCHRODER INVESTMENT

PH=215-861-0982 FAX=215-861-0982 SUSAN.BECK@US.SCHRODERS.COM 

USER hi - you can improve our level to 103.30 I would be curious  
INFO to know what the high bid was on these..... mark - dave had to  
run out - I know the situation on dade cnty - our phones have n  
o voice mail at this time - just let me know what response you  
get re: initial level you and dave discussed. sue  
Reply:  
sue  
no trade. 1025  
Reply:  
hi - did not want  
Reply:  
I told them right  
now the best I could do was repeat the 103.05 bid. I hope that I  
to go to that level at this time. sue  
pxed at 104

Australia 61 2 9777 8600 Brazil 55 11 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
6982-816-1 28-Jan-05 15:53:50



20  
1 <GO> to DELETE. 2 <GO> to REPLY. 3 <GO> to FORWARD. 99<GO>MENU OF OPTIONS **Muni MSG**  
1/19 15:43 •SUSAN BECK, SCHRODER INVESTMENT

PH=215-861-0982 FAX=215-861-0989 SUSAN.BECK@US.SCHRODERS.COM



mark - how about we purch dade @ 103.15?  
USER  
INFO

9

1 <GO> to DELETE. 2 <GO> to RESEND, or <PAGE> for next item.  
✓ 1/19 15:44 TO: SUSAN BECK

Muni MSG

SCHRODER INVESTM

PH=215-861-0982 FAX=215-861-0989 SUSAN.BECK@US.SCHRODDERS.COM



mark - how about we purch dade @ 103.15?

Reply:

that's fine. do you know what acct?

Australia 61 2 9777 8600 Brazil 55 11 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
Hong Kong 852 2977 6000 Japan 81 3 3201 6900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
H013-816-1 16-Feb-05 14:46:17

8  
Screen Printed

Muni MSG

1/19 12:32 From: •SUSAN BECK, SCHRODER INVESTMENT

PH=215-861-0982 FAX=215-861-0982 SUSAN.BECK@US.SCHRODERS.COM



USER hi - you can improve our level to 103.30 i would be curious  
INFO to know what the high bid was on these..... mark - dave had to  
run out - i know the situation on dade cnty - our phones have n  
o voice mail at this time - just let me know what response you  
get re: initial level you and dave discussed. sue

Reply:

sue

pxed at 104

no trade. 1025

Reply:

to go to that level at this time. sue

hi - did not want

Reply:

now the best i could do was repeat the 103.05 bid. i hope that i

i told them right

Australia 61 2 9777 8600 Brazil 55 11 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
C982-816-1 28-Jan-05 15:53:50

# EXHIBIT B

# **THE BANK OF NEW YORK**

NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

**January 6, 2005**

**Notice to Holders of  
Certificates of Participation Evidencing the Proportionate  
Interest of the Owners Thereof in Base Rent and Contingent Rent  
Payments to be made by Dade City, Florida, as the Rental  
for Certain Real Property Pursuant to a Lease Purchase  
Agreement Dated as of July 1, 1991 Between Dade City, Florida, as  
Lessee, NCNB National Bank of Florida, Trustee, as Lessor (the "Certificates")  
CUSIP NOS. 233423AL6, 233423AM4, 233423AP7, 233423AQ5, 233423AR3, 233423AS1,  
233423AT9, 233423AU6, 233423AV4, 233423AW2, 233423AX0, 233423AY8 and  
233423AN2\***

The Bank of New York acts as trustee (the "Trustee") for the holders of the above-captioned Certificates (the "Holders") pursuant to that certain Trust Indenture (the "Indenture"), dated as of July 1, 1991, between Dade City, Florida (the "Issuer") and the Trustee, as successor in interest to NCNB National Bank of Florida. Capitalized terms not defined in this Notice shall have the meanings assigned thereto in the Indenture.

## **NOTICE OF EVENT OF TERMINATION AND OF FUTURE EVENT OF DEFAULT**

The Trustee is in receipt of a letter from the Issuer dated December 30, 2004 under which the Issuer has notified the Trustee of its intent to terminate the Lease pursuant to the provisions of Section 7(e) of the Lease (the "Notice of Termination") which constitutes an Event of Termination under the Lease. Pursuant to Section 7.01(b) of the Indenture delivery of the Notice of Termination will constitute an Event of Default upon the expiration of the term of the HRS Lease.

The Issuer has also advised the Trustee, in the Notice of Termination, that the Event of Termination arises out of receipt by the Issuer of notice from the Florida Department of Children and Families that due to the privatization and downsizing of State funded programs, it would not renew the HRS Lease beyond the current lease term ending March 31, 2005.

The Trustee will continue to inform the Holders as to any further material events of which the Trustee becomes aware.

Questions concerning this notice should be sent in writing to the following address: The Bank of New York, 101 Barclay Street, 8 West, New York, New York 10286, Attention: Mr. John Guiliano.

**THE BANK OF NEW YORK,**  
as Trustee

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\*CUSIP numbers are included solely for the convenience of owners of the Bonds. Neither the Issuer nor the Trustee shall have any responsibility with respect to the selection or use of any CUSIP number, nor is any representation made as to the correctness of any CUSIP number, either as printed on any Bond or in this Notice.